COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Transfer to the ECSC of customs duties on ECSC products

DRAFT DECISION

by the representatives of the Governments of the Member States of the European Coal and Steel Community, meeting within the Council, allocating additional revenue to this Community

(submitted to the Council by the Commission)

TRANSFER TO THE ECSC OF CUSTOMS DUTIES ON ECSC PRODUCTS

INTRODUCTION

During the past year, the Council has already twice given its attention to the problems of financing ECSC operational budget. It has, in fact, been led to adopt two different decisions of an ad hoc character with the object of making available budgetary resources to finance Community policy under the Paris Treaty.

The effect of the first decision, taken in accordance with Article 20 of the Merger Treaty, was to reduce the amount of the lump sum payment made annually from the ECSC Operational Budget to the General Budget of the Communities on account of ECSC administrative expenditure from 18 MEUA to 5 MEUA (Decision 77/729/ECSC of 21.11.77, OJ L 306/28 of 30.11.77). The second decision, confirmed on 21.12.77 and promulgated in the minutes of the Council's 494th session resulted in the provision of a grant to the ECSC budget of 32 MEUA to be provided by Member States (document T/1064/77 of 12.1.78).

The Commission appreciates the constructive quality of these decisions. They have made it possible to finance the 1978 ECSC budget without jeopardising on the financial side the policies which it is the Community's task to pursue in response to the needs of the coal and steel sectors. Nevertheless, in the judgement of the Commission it is a matter of urgency to find a solution of a permanent, and not an improvised, kind which meets the problems posed by the need to finance the ECSC budget, and at the same time, strengthens the future financial basis for Community policy in the field of the Treaty of Paris.

THE FINANCING OF THE ECSC BUDGET IN THE PAST

For 25 years Community financing requirements for research and resettlement have basically been met out of resources derived from the levy. In addition, on the resources side, levy receipts have been reinforced by income under the heading of interest on the Community's own funds and, on the requirements side, the range of operations financed has been extended to include the coking coal and metallurgical coke financial aid system, low interest loans to finance social housing and a policy of interest relief grants applied both to industrial investments of a priority nature and in the field of industrial redevelopment of areas suffering from a fall in employment in the coal and steel industries.

It is worth noting that during the period of the substantial fall in Community coal mining activity which took place in the first decade of the ECSC's existence, the Community found itself able to finance the necessary resettlement operations from its own income. Three key factors helped to make this possible. In the first place, during the early years, the levy rate remained at a relatively high level, and did not, in fact,fall below 0.35 % until 1961. Secondly, it must be remarked that during the period concerned the overall economy of the Community was passing through a phase of prosperity and economic growth which significantly aided the reemployment of former miners in search of new jobs as the result of closures. Moreover, such reemployment was helped considerably by the lasting shortage of pit-workers which lowered very appreciably the average cost of resettlement aid. Thirdly, the rapid growth achieved by the Community steel industry during the time concerned meant that, within the framework of the Community, this industry was in a position to contribute to the financing of the operations deemed necessary to restore the state of the coal industry (in particular, resettlement of ex-miners) without it being necessary to raise the rate of the levy. It was these three factors above all which enabled the ECSC to deal with the problem of financing Community actions undertaken in the context of the restructuring of the coal sector without too much difficulty.

During the period of the last 10 years, it must be remarked that under dint of rapidly increasing financial requirements, the ECSC's levy of income has, in fact, remained virtually frozen. To be precise, the levy rate was fixed at 0.3 % in 1967, reduced to 0.29 % in 1972 and has not changed at all since that date.

In consequence, in recent years the trend of receipts in the budget shows no increase at all in real terms :

ECSC budgetary resources in millions of UA

1973	89.4
1974	96.3
1975	99.5
1976	114.5
1977	114.1

It was only in 1978 that, thanks to the action taken by the Council, the budget total, amounting to 152 MEUA, showed an increase significantly higher than the mean rate of inflation.

This policy of pegging the levy rate, which enjoyed the support of the European Parliament when it was consulted every year before the firm adoption of the budget and determination of the levy rate for the next year, has meant that in order to balance the ECSC budget, the Commission has been obliged to cut back requirements often quite drastically, to the extent needed to avoid increasing the levy. As a result, since the start of the recession in the steel industry in 1975, the fraction of the financial requirements taken into account by the Commission on adopting the draft ECSC budget actually covered in the budget has been as follows :

Years	Financing requirements	Budget outturn	Proportion of requirements met
1976	137	114.5	83.6 %
1977	163.3	114.1	69.9 %
1978	260	152*	58.5 %

*forecast

Even the reduced proportion of 58.5 % of requirements financed in 1978 was only able to be achieved as a result of the Council's decisions mentioned above which, in effect, increased the resources that would normally have been available by 45 MEUA (13 MEUA in respect of administrative expenditure and 32 MEUA in virtue of the contribution from Member States).

Unless the policies which depend on the ECSC budget are to be seriously jeopardised, it does not seem possible to go on cutting back financing requirements to match the resources obtained with a levy rate which it will not really be desirable in future to raise above the level of 0.29 %.

FUTURE FINANCIAL REQUIREMENTS

For the present the major financial needs in the coal and steel sectors are linked to the restructuring problems of the steel industry which faces the necessity to adjust production capacity and update its technology in order to recapture the competitive position it needs in order to develop its external markets.

The steps taken by the industry itself need to be supplemented in terms of social policy by appropriate and necessary measures for redeveloping areas affected by the reduction in steel making jobs and for the resettlement of the workers involved.

Some requirements therefore may be regarded as of a relatively transitory character, even though the measures referred to could in practice extend over a considerable period of years. There are other factors, however, which point to the conclusion that the supplementing of budgetary resources which proved necessary to balance the ECSC budget at the right level in 1978 must from now on be accepted as permanently necessary:

- the radical change in the nature of the market for steel which results from the establishment of sizeable production capacity in non-Community countries amounts to a permanent alteration in competitive conditions which will bear heavily in the long term on the viability of European undertakings;
- the enhanced effort which will be needed to restore and maintain a competitive set of Community products whether this be in the realm of production technology or in that of invention of new end products (special steels ....), will certainly also be a permanent need for the future;
- the major role which coal will be playing in the Community's energy policy will certainly not reduce financial requirements in this sector. These requirements, on the contrary, will tend to increase.

The considerations set out above bring the Commission to the conclusion that the right course to take will be to strengthen the ECSC's resources on a permanent basis. This can certainly not be achieved by adding to the amount levied on individual firms; on the contrary it would be much more appropriate to look for a reduction in the burden of the sectoral tax which the levy represents in order to improve the capacity of firms to compete in the market. Furthermore, it is worth recording that those who pay the levy have maintained for many years that they are taxed twice over in virtue of the combined effect of the raising of direct Community revenue for the financing of the general budget and the additional imposition of ECSC levies. The Commission has consistently repudiated this allegation and drawn attention to the fact that the revenue from the levy is applied solely for the benefit of the coal and steel sectors, but it is to be feared that the imminent inauguration of the Community VAT system could constitute fresh grounds for complaint by the interested parties.

ALLOCATION OF ECSC CUSTOMS DUTIES

Initially, in accordance with the principles set out in the Paris Treaty, the High Authority/Commission adjusted the levy rate to the full extent necessary to cover identified financial needs. It was on this basis that, during the first phase of the Community's existence, the rate varied between 0.9 % and 0.2 %. If, as has been noted, the use of this financing technique has been considered unsuitable or even unthinkable in recent years, on account of the difficult circumstances which the ECSC industries face, it is necessary to look at other possible methods of providing the ECSC budget with the revenues it needs. The Commission has looked at three alternatives: a permanent subsidy charged to the general budget; *ad hoc* contributions from Member States; and the transfer to the ECSC budget of customs duties of ECSC products.

At first sight the allocation to the ECSC budget of a subsidy paid for out of the general budget might seem the most practical solution to the problem, but such a procedure is in fact ruled out from the legal point of view. It is only legally possible to draw on the general budget to finance policies developed within the framework of the Treaties of Rome.

The Commission considers that any solution based on *ad hoc* annual contributions from Member States should likewise be rejected. There are two main reasons for this. Such an approach would leave scope every year for uncertainty about the future provision of the revenue in question and this would provide a stumbling block to any longer term financial planning in ECSC policy. Secondly, a solution of this sort would call for extremely onerous administrative procedures weighing no less on Member States than on the Commission itself.

In contrast to this, the allocation of customs duties on ECSC products to the ECSC operational budget would have the merit of endowing the Community with additional resources capable of providing a real and lasting fillip to the Community's finances and in procedural terms, would constitute a once-for-all solution presenting no real technical or legal difficulties.

Such a transfer of customs duties will also have the merit of eliminating the anomaly which has existed since the entry into force of the decision of 21.4.70 on Community revenues. The effect of this decision was that, as from 1 January 1971, duties paid under the common customs tariff are allocated to the EEC and EAEC as direct Community revenues.

This allocation was not extended to the customs duties on coal and steel products covered by the ECSC Treaty, as the common customs tarif provided for in Article 9 of the EEC Treaty does not apply to products coming under the ECSC Treaty.

Thus, while customs duties on ECSC products have certainly been standardized in accordance with decisions taken under Article 72 of the Treaty of Paris, they still remain in the hands of any Member State which collects the sums concerned when goods are imported on to its territory.

The Commission considiers that the time has come to remove this anomaly. This is one reason why, in the communication it submitted on 8.11.77 (COM(77) 561 final), it has already proposed that the necessary procedures be set in motion for allocating ECSC customs duties to the ECSC budget as soon as possible.

On the basis of data supplied by Member States for the 1976 financial year, the overall total of the revenues involved may be estimated at between 50 and 60 MEUA. (This estimate will, if necessary, be revised as soon as Member States have supplied the figures for the financial year 1977).

PARLIAMENT'S FAVOURABLE ATTITUDE

In its resolutions of 14.12.77 on the rate of levy and ECSC operational budget for 1978 and of 17.3.78 on the European Parliament's guidelines for the budgetary and financial policy of the European Communities in 1979, Parliament has already given its support to the proposal to convert ECSC customs duties into a Community receipt to be credited to the ECSC budget.

CONCLUSIONS

To mitigate the chronic financial difficulties which the ECSC has run into in consequence of the resolve to place a ceiling on the levy rate at the level presently in force, the ad hoc solutions applied in the case of the 1978 ECSC budget should be replaced by a permanent change in the nature of the Community's revenues.

In the Commission's judgement, the right solution is to transfer receipts of customs duties on ECSC products to the ECSC.

The Commission proposes that the necessary steps be taken to enable customs duties levied on ECSC products to be transferred to the Communities as from 1.1.79 and brought to account as revenue in the ECSC operational budget.

A draft decision on these lines is attached.

DRAFT DECISION

by the representatives of the Governments of the Member States of the European Coal and Steel Community, meeting within the Council, allocating additional revenue to this Community.

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE EUROPEAN COAL AND STEEL COMMUNITY, MEETING WITHIN THE COUNCIL,

WHEREAS in order to deal with the existing and foreseeable economic situation of the coal and steel industries it is necessary to supplement the financial means at the disposal of the European Coal and Steel Community for fulfilling the tasks assigned to it by the Treaty; whereas it is accordingly desirable to allocate to the Community the revenues arising from the customs duties collected by Member States on the products of the coal and steel sector in the course of trade with non-member countries;

in agreement with the Commission,

HAVE DECIDED AS FOLLOWS :

Article 1

The revenue from the customs duties levied by Member States in the course of trade with non-member countries on products which come under the Treaty establishing the European Coal and Steel Community shall be allocated to the Community.

/...

Article 2

The Member States shall, in close collaboration with the Commission, take all appropriate measures to ensure the implementation of the provisions of Article 1; they shall in particular fix common conditions for making available to the Community the sums referred to in that Article.

Article 3

The Member States shall take all the necessary measures to implement this Decision.

Done at..............,